

# **MINUTES**

## **North Dakota Public Employees Retirement System**

**Thursday, February 21, 2008  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.**

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Aaron Webb, Attorney Generals Office  
Mr. Kevin Schoenborn, BCBSND  
Mr. Larry Brooks, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Mike Schwab, NDPhA/NDPSC  
Mr. Bill Kalanek, AFPE  
Ms. Jodee Buhr, NDPEA  
Mr. Howard Anderson, ND Board of Pharmacy  
Mr. David Peske, ND Medical Association

Via Conference Call: Mr., Gary Dauenhauer, BCBSND  
Mr. Tom Christensen, BCBSND  
Mr. Dave Olig, NDPhA/NDPSC

Chairman Strinden called the meeting to order at 8:35 a.m.

## **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the January 17, 2008 Board meeting.

**MS. SMITH MOVED APPROVAL OF THE JANUARY 17, 2008 NDPERS BOARD MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **RETIREMENT**

### **LAW ENFORCEMENT PLAN REVIEW**

Mr. Collins reported to the Board on the Segal review of the law enforcement plan with prior service. He noted that participation in the plan grew 22%, the average age decreased and the assets increased. Segal determined during their review that as participants had transferred from the main plan to the law enforcement plan their liabilities were transferred but not the corresponding assets. Therefore once this adjustment was made, the contribution margin changed from negative 4.08 to positive .63. Segal indicated they have established the appropriate protocols to insure in the future the transfer of both.

### **PROPOSED BENEFIT OPTIONS**

Mr. Collins reviewed with the Board the benefit options for consideration as proposed legislation (referring to the matrix). With the lack of quantitative wellness program information, OMB and the Governor's Office have expressed concerns in moving forward with wellness incentive legislation. In recognition of this Mr. Collins indicated that it was staff recommendation to defer consideration of this topic until the next session. Mr. Collins then reviewed the other proposals on the matrix (a copy is available on the PERS web site). Board discussion followed.

Mr. Collins stated that pending approval, the next step is that proposed legislation will be drafted, which will be presented at the March meeting for Board approval, staff will then submit the approved draft legislation to the Employee Benefits Committee by April 1, they take jurisdiction of the bills, then refer it to the actuary who conducts both a technical and actuarial analysis on the bills. The technical analysis will be before the Board in the summer, with the actuarial analysis being completed in the fall.

**MS. SMITH MOVED TO PROCEED WITH DRAFTING LEGISLATION ON THE BENEFIT CONCEPTS THAT HAVE BEEN APPROVED AND MARKED AS YES TO PROCEED. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

**SEGAL RENEWAL**

Based on Board action at the January 2008 meeting to move forward with the renewal of Segal for actuarial valuation and consulting services, Mr. Collins reviewed with the Board the proposed renewal terms and indicated that staff has recommended approval.

**MR. TRENBEATH MOVED TO APPROVE THE SEGAL RENEWAL AS PROPOSED.  
THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**PPA – INTEREST ON MEMBER ACCOUNT BALANCES**

Mr. Collins discussed with the Board the current technical corrections bill relating to the Pension Protection Act that may move through Congress in the next several months concerning proposed IRS regulations relating to interest on member account balances. Currently, PERS rate of return on member account balances is ½% less than our actuarially assumed rate of return which is 8%, therefore, we pay 7 ½% on the interest on member accounts. The new regulations may require that interest not exceed a market rate of return. This would mean that PERS would need to drop its 7.5% return and this would be a benefit reduction for our members. Mr. Collins indicated he has shared PERS concerns with the congressional delegation and will keep the Board informed on this issue. He did note that unless the technical corrections bill provides relief, PERS may need to consider adjusting its interest rate.

**GROUP INSURANCE**

**PRESCRIPTION DRUGS**

As a follow-up to the Board planning meeting in December, Mr. Schwab and Mr. Olig from the ND Pharmacists Association discussed issues with the Board relating to prescription drugs. One issue related to certain chain type pharmacies being prohibited in the state of North Dakota. The question was raised as to why North Dakota has a law protecting an industry (pharmacists). Changing this law could potentially result in savings to NDPERS in the amount of \$250,000 per year. Mr. Olig explained that the law restricts the ownership of pharmacies in North Dakota; they must be owned by a North Dakota pharmacist. The prime focus of the law is to control the practice of a pharmacy. Mr. Olig continued to review possible cost savings options with the Board. The Board discussed this issue with the Pharmacists Association from a member's perspective and requested subsequent discussions on this issue.

**ANNUAL HEALTH CARE UTILIZATION STUDY**

Mr. Schoenborn from BCBSND reviewed with the Board the NDPERS Annual Management Information System Study for both active and retiree members. BCBSND staff responded to questions of Board members. This report is on file at the NDPERS office. The Board requested there be additional detailed information in the form of staff analysis which would be presented and discussed at future meetings.

**HB1433 DIABETES PROGRAM CONTRACT**

Mr. Collins reported that the North Dakota Pharmacy Services Corporation presented its proposal at the January meeting for the diabetes program pursuant to HB 1433 and the Board approved moving forward with the project. A proposed agreement has been drafted and approved by the Assistant Attorney General for Board approval.

**MR. TRENBEATH MOVED TO ADOPT THE AGREEMENT FOR SERVICES FOR THE DISEASE STATE MANAGEMENT OF DIABETES PROGRAM. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**HEART OF AMERICA MEDICAL CENTER HEALTH PLAN**

Ms. Allen reviewed with the Board the request from Heart of America in Rugby to continue to offer its health plan membership to state employees in its Rugby service area for a one year period July 1, 2008 through June 30, 2009.

**MR. LEINGANG MOVED TO APPROVE THE HEART OF AMERICA MEDICAL CENTER HEALTH PLAN PROVIDER AGREEMENT IN THE RUGBY SERVICE AREA. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt reviewed with the Board the December surplus projection and affordability analysis for the NDPERS group medical plan.

### **QUARTERLY HEALTH GRAPHS**

Mr. Reinhardt reviewed with the Board the NDPERS Health Plan quarterly health graphs through September 2007. Active membership is trending at about 7.5% annual rate.

### **FLEXCOMP**

#### **2008 ENROLLMENT**

Ms. Allen recapped the 2008 flexcomp enrollment which increased slightly for dependent care accounts from 2007 with total dollars pretaxed increasing 4.4%. For medical spending accounts, participation for 2008 increased by 1.6% or 42 participants from 2007 with total dollars pretaxed increasing by 6%.

### **DEFERRED COMPENSATION**

Ms. Allen reported to the Board on the deferred compensation provider training which was held in Bismarck, Grand Forks, Fargo, Williston, and Minot. Representatives from several provider companies did not satisfy the training requirements specified in the NDPERS administrative contract. The Board discussed the noncompliance issues relating to Chase and Symetra.

**MR. SANDAL MOVED TO DIRECT STAFF TO NOTIFY CHASE AND SYMETRA IN WRITING THAT THE BOARD, AFTER REVIEWING THE SITUATION, HAS FOUND THEM OUT OF COMPLIANCE WITH OUR CONTRACT, AND AT ITS MARCH MEETING, THE BOARD WILL CONSIDER TAKING ACTION TO IMPLEMENT A LOSS OF PROVIDER STATUS PURSUANT TO OUR ADMINISTRATIVE RULES. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

### **MOTION PASSED**

### **ELECTION COMMITTEE**

Ms. Allen reported to the Board the term of Mr. Sage expired on December 31, 2007 and per Board action, a regular election will be scheduled. Ms. Allen reviewed the election schedule with the Board. As a result, three Board members (one as chair) will need to comprise the election committee. Board members Mr. Leingang, Ms. Ehrhardt, and Mr. Sandal volunteered to be on the election committee.

**MS. SMITH MOVED TO ACCEPT MR. LEINGANG, MS. EHRHARDT, AND MR. SANDAL TO SERVE ON THE ELECTION COMMITTEE WITH MR. LEINGANG ACTING AS CHAIR. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**2008 BUSINESS PLAN**

The Plan, which is used to guide the business processes throughout the year, was included for the Board's review and information.

**PERSLINK CONCEPT OF OPERATIONS**

Mr. Collins shared this overview of the PERSLink project with the Board and indicated it was also shared with staff and various stakeholders.

**BOARD MEETING DATE CHANGES**

Mr. Collins indicated it will be necessary to reschedule the October and December regularly scheduled Board meetings. After Board discussion, it was determined October 22 will be acceptable. The December date will be determined at a later time.

**13<sup>th</sup> CHECK REVIEW**

Mr. Collins shared with the Board information relating to a member request on a concern with the 13<sup>th</sup> check, specifically relating to withholding taxes. After Board discussion, it was determined this was handled properly and that in the future staff will include a more detailed explanation in newsletters explaining the method for implementing the 13<sup>th</sup> check including information relating to withholding taxes. Mr. Collins will respond to the member on behalf of the Board.

**FINANCIAL HARDSHIP**

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover expenses accrued as a result of loss of income due to the spouse's disability which resulted in unemployment. The Board discussed this hardship withdrawal case.

**MR. LEINGANG MOVED TO APPROVE THE REQUEST FOR HARDSHIP  
WITHDRAWAL. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

The State Investment Board agenda and approved minutes were shared with the Board.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:40 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board